

SPECIAL NOTICE

April 29, 2004

For further information contact:
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1-800-647-7706 or (360) 486-2345

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Teletype 1-800-451-7985

Telephone Taxes Previously Paid to DSHS Now Paid to the Department of Revenue

Effective July 1, 2004, Senate Bill 6448 (Chapter 254, Laws of 2004) transfers authority to collect two telephone excise taxes from the Department of Social and Health Services (DSHS) to the Department of Revenue (DOR). These taxes are: (1) the Telecommunications Relay Service (TRS) excise tax; and (2) the Washington Telephone Assistance Program (WTAP) excise tax.

The following explains how local exchange companies are to report and pay taxes to DOR, when to start reporting to DOR, and requirements for billing customers.

Reporting Taxes to DOR

Taxpayers will be required to report and pay the TRS tax and the WTAP tax on DOR's Excise Tax Return beginning with the July 2004 and Quarter 3 2004 returns. For Annual reporters, the return will reflect only TRS & WTAP taxes due after July 1, 2004. These taxes will be reported in the "Other Taxes" section on page two of the return.

The law has been amended so that the TRS and WTAP taxes now parallel the existing state enhanced 911 (E911) tax law. These taxes will be collected in exactly the same way as E911 taxes have been collected in the past. The tax base and the procedures for these taxes are the same as used with the E911 tax. For example, companies pro-rate TRS and WTAP tax payments for switched access lines that are energized for only a portion of a month. That practice is not permitted for E911 taxes, which require a full month's payment for any line energized for any portion of that month. As of July 1, 2004, pro-rating will not be permitted for any of these taxes.

For reporting convenience, the TRS tax, the WTAP tax, and the E911 tax (excluding wireless state enhanced 911 tax) will be combined on one line of the return with the title "State Enhanced 911, TRS, & WTAP Tax." All three of these taxes are based on the number of switched access lines.

The tax rate for this line will be a combined rate for all three taxes. DOR will distribute the funds reported on this line to the special fund accounts for the three programs based on the individual rates for each tax. Tax rates per switched access line for fiscal year 2005 will be:

TRS tax	14 cents
WTAP tax	13 cents
E911 tax	20 cents
Combined rate on the return	47 cents

When to Begin Reporting TRS & WTAP Taxes to DOR

- For **monthly** tax return filers, the first DOR tax return on which you are to report these taxes will be the July 2004 return. The tax liability will be based on the number of switched access lines provided to customers in the month of July. This tax return will be due on August 20, 2004.
- For **quarterly** tax return filers, the first DOR tax return on which you are to report these taxes will be the 3rd quarter return. The tax liability will be based on the number of switched access lines provided to customers **for each month** in the 3rd quarter (July, August, September) of 2004. This tax return will be due on November 1, 2004.
- For **annual** tax return filers, the first DOR tax return on which you are to report these taxes will be the annual 2004 return. The tax liability will be based on the number of switched access lines provided to customers **for each of the following months - July, August, September, October, November, and December 2004**. This tax return will be due on January 31, 2005.

Taxes Payable to DSHS

WTAP and TRS taxes due for service provided before July 1, 2004, continue to be payable directly to DSHS. If a local exchange company owes tax for this period, it should remit the funds directly to DSHS, even if the actual payment of those funds is delayed, for whatever reason, until after July 1, 2004. **Only taxes for switched access lines provided on or after July 1, 2004 are to be paid to DOR.**

Billing Requirements

State law requires that local exchange companies separately identify each of the following three taxes and the amount of tax owed on a ratepayer's bill. **The taxes must be separately stated on the billing even though they are reported on the tax return in a combined manner.**

The taxes must be identified as:

- WTAP tax – “Washington telephone assistance program”
- TRS tax – “Funds federal ADA requirement”
- State enhanced 911 tax – “Funds State Emergency 911 System”

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.